

**AUDIT AND GOVERNANCE COMMITTEE**  
**(HELD AS A VIRTUAL MEETING)**

Wednesday 10 March 2021

**Present:-**

Councillor Tony Wardle (Chair)  
Councillors Atkinson, Foggin, Hannaford, Henson, D, Mrs Henson, Mitchell, M, Oliver and Warwick

**Also Present**

Director Finance, Deputy Chief Finance Officer, Service Lead Legal Services, Corporate Manager Democratic and Civic Support, Corporate Manager – Executive Support, Audit Manager (HP), Democratic Services Officer (HB) and Democratic Services Officer (SLS)

**In Attendance**

Jackson Murray – Engagement Lead Grant Thornton  
Julie Masci – Engagement Lead Grant Thornton

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**MINUTES**

The minutes of the meeting held on 25 November 2020 were taken as read, approved as correct for signing by the Chair at the earliest possible convenience.

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**DECLARATION OF INTERESTS**

No declarations of disclosable pecuniary interests were made.

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**EXTERNAL AUDIT PROGRESS REPORT AND SECTOR UPDATE**

Jackson Murray, Engagement Lead (Grant Thornton) announced he would shortly be moving to another Engagement Lead role within the company and introduced Julie Masci, as the incoming Engagement Lead (Grant Thornton) for the Council's External Audit for the 2020/21 financial year.

The Engagement Lead (J Murray) presented the report for the year ending 31 March 2021, which detailed the external Auditor's work that had been undertaken as at March 2021. He explained that no issues were reported as a result of the work relating to the Council's annual Pooling of Housing Capital Receipts return and that certification work had also taken place in respect of the Council's Housing Benefit Subsidy claim on behalf of the Department for Work and Pensions (DWP). No new errors had been identified in the 2019/2020 testing, and whilst there had been a governance requirement for further testing, the values identified were minor. The conclusion of that work completed Grant Thornton's responsibilities for the 2019/20 audit.

The Engagement Lead (JM) confirmed that whilst the Covid-19 pandemic continued to have an impact, planning for the reporting timetable for the 2020/21 financial statements and audit process had commenced. She would be working with the Council's Finance team over the coming weeks to inform the assessment and a report would be presented to this Committee once work on this key area of change had concluded, with a separate annual Auditor's Report to offer a broad narrative and commentary around the outcomes of that VFM work. Work had also

begun to identify the risk assessments for this year's audit and whilst few changes were anticipated, there were significant changes in relation to the approach to the Value for Money conclusion (VFM) following the National Audit introduction of a new Code of Practice for 2020/21 audit year. They included:-

- the replacement of the binary (qualified/unqualified) conclusion approach to VFM to include judgements on performance and key recommendations on any significant arrangements identified,
- a new set of criteria covering financial sustainability, governance and improvements in economy, efficiency and effectiveness, and
- more extensive reporting and a requirement to offer a broader commentary across all the key criteria rather than the current reporting by exception approach.

The Engagement Lead (JM) responded to a Member's question on the audit reference of consideration of large standalone capital items, which would be considered as part of the Council's wider financial strategy and financial monitoring arrangements. She stated that this would form part of the work on the risk assessment of any individual projects that may require additional scrutiny.

Members thanked Jackson Murray for his support and work for the Council and formally welcomed Julie Masci to the Engagement Lead role. They also noted that Steve Johnson, the previous Engagement Manager had retired and the Committee wished to convey their good wishes to him.

The Audit and Governance Committee noted the Progress Report and Sector Update.

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### **INTERNAL ANNUAL AUDIT PLAN 2021/22**

The Audit Manager (HP) presented the annual Internal Audit Plan report for 2021/22, attached as an appendix to the report presented to the meeting, which required Member approval. The proposed areas of work, which set the terms of reference of the Audit and Governance Committee and the Internal Audit Strategy included the Audit rolling plan which was established in line with internal control and risk management best practice. The report provided an assurance that appropriate risk analysis had been used whilst formulating the Plan, with feedback received for the Council's Strategic Management Board on their priorities and any specific concerns they might have, as well as feedback from the Chair and Deputy Chair of the Audit and Governance Committee. It was confirmed that despite the pressures of the Council's response to the Covid pandemic over the last year, and the postponement of a number of audits, their intervention and support had enabled significant improvements of the internal controls environment.

The Deputy Chief Finance Officer responded to a Member's question on the Council's stance of encouraging more apprenticed accountants at the Council, particularly with the current economic climate and rising unemployment effecting young people. She offered both a Council wide view on apprenticeship opportunities and also in relation to the Finance team. There are currently four apprentices across the Council, where individual services have identified an apprenticeship opportunity from analysis of their workload, and the skills and resources required to deliver that workload. There are two apprentices in Legal and one each in Procurement and the Communications teams. There had been a particularly positive experience in the Finance team with support for an individual who had gained their Association of Accounting Technicians (AAT) and who had secured a permanent position within

the Exchequer Services team. The Member was pleased that the Council had been encouraging apprentice placements within the Council.

The Audit Manager responded to a Member's question on the audit arrangements concerning the Council's carbon neutral ambitions and particularly on 'General Assurance' and specific measurable outcomes. Internal Audit would seek to ensure there was compliance through a strategy or policy being in place. Checks would be made against the measures used to achieve the Council's aspirations to be Net Zero by 2030. An audit would help to develop the means of measuring the outcome and this matter would be looked at in depth within the current time constraints.

**RESOLVED** that the Audit and Governance Committee approve the annual Internal Audit Plan for 2021/22.

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### **INTERNAL AUDIT PROGRESS REPORT QUARTER 3**

The Audit Manager (HP) presented the detail of Internal Audit work carried out during the period 1 October to 31 December 2020. A summary of progress against the Annual Audit Plan for 2020/21 was included at Appendix A to the report presented to the meeting, and an action plan of the governance issues identified had been included at Appendix B. Members were advised on the overall progress against the Audit Plan, which included a revision, due to Internal Audit staff carrying out additional work to support the Covid-19 business support grants scheme. In addition, a request by the Director Net Zero Exeter and City Management, had resulted in a further amendment and a review of the audit risk matrix. This had resulted in the Health and Safety and Equalities and Diversity audit reviews along with the Insurance Audit, having to be postponed and incorporated into the Audit Plan for 2021/22. There were no significant issues associated with the audit work undertaken throughout the year, which included an audit report in respect of Council Tax; additional works in relation to the Covid business grants and the leisure contract being brought in house and work on the Government's Furlough Scheme.

The Audit Manager offered an explanation in response to a Member's question on the presentation of the colour coding of the Audit Plan. The Plan used a colour coded traffic light system to reflect the current status and included green which offered substantial assurance, satisfactory was reflected as amber, and red indicated no assurance, however, the colour system was not fed through into the progress table. A revision of this format would be made to improve the presentation of the data. The Member welcomed this helpful change. The Director Finance added that the traffic light system had merit and was beneficial to Members, and clarified that the sections without content related to audits which had not been completed. Any risk that needed to be addressed as a matter of urgency would be discussed with the relevant Service Manager to determine the most appropriate way forward.

**RESOLVED** that:-

- (1) the Internal Audit progress report for the third quarter of the year to 2020/21 be noted, and
- (2) the amendments to the 202/21 Internal Audit Plan, as detailed in Section 8.2 of the circulated report be approved.

## MODEL CODE OF CONDUCT

The Service Lead Legal Services presented the report which sought to establish whether the Council wished to adopt the new Model Code of Conduct. The draft Model Code of Conduct, attached to the circulated report had been prepared by the Local Government Association. If approved, the intention was that it would be effective from the Council's Annual Meeting in May. The Service Lead Legal Services noted that comments made by the Audit and Governance Committee at the July 2020 meeting were broadly welcoming of the proposals submitted, as part of the consultation exercise which took place last year.

The Localism Act required each local authority to adopt a Members' Code of Conduct with the aim of promoting and maintaining a high standard of behaviour by both its Members and Co-opted Members. The draft model Code of Conduct would help to continue to maintain the openness and accountability of Members by clearly expressing a greater level of explanation of the obligations imposed on Members and ensure a greater consistency across all local authorities. In adopting the new Code of Conduct this would also ensure that current and all new Councillors elected from May 2021 would be bound by its provisions.

A number of points were highlighted:-

- more user friendly with the onus on the individual Councillor to understand, in effect, what they are signing up for,
- the formal inclusion of what are known as "Part 2 interests" (relating to the financial or well-being of the councillor, or relative or close associate) in the Code,
- a section on acceptance of gifts and hospitality,
- the ability to grant dispensations has been added to the draft Model Code to be used by Exeter City Council, and
- the Code had been brought to the attention of the Council's Independent Persons, both of whom offered their support for the new Model Code of Conduct. Professor Brian Kirby made reference to paragraph 10 in the documentation and suggested removing the reference to 'Christmas' in relation to gifts received as this provision applied more generally.

The Corporate Manager Democratic Services and Civic Support and Service Lead Legal Services (who were also the two Deputy Monitoring Officers for the Council) responded to the following Members' questions and comments:-

- in terms of a requirement within the Code for Councillors to register a trusteeship on outside bodies, it was stated that where a Member received remuneration in respect of a trusteeship, then consideration should be given to registering it as a discloseable pecuniary interest. When there was no remuneration, then whether a Member would be expected to make a declaration would be fact sensitive and depend upon the matter being considered at the time. In addition, the new Model Code provides for 'other registrable interests' in relation to any body of which the Councillor is a member or in a position of general control or management and to which the Councillor is appointed or nominated by the Council.
- a forthcoming report on the representation by Members on Outside Bodies should help to explore the wider ramifications of membership or representation by Councillors.
- in addressing comments made by a Member on ensuring mutual respect between Councillors and Officers, it was noted that there was the opportunity for redress through the Council's Whistleblowing Policy which

offered some level of anonymity to Officers, as well as the Councillors' Complaints process. Officers frequently worked closely with Members and so in the first instance, it was likely that some effort would be made to resolve any such matter, but if needed the Monitoring Officer would be involved in any subsequent investigation. In addition, any such occasion could involve a discussion with one of the Council's two Independent Persons for their view.

**RECOMMENDED** that the Audit and Governance support and Council approve the following:-

- (1) the Model Code of Conduct appended to the report, with effect from the Annual Council Meeting scheduled to take place on 18 May 2021;
- (2) the inclusion of a section in the Constitution which allows for the Monitoring Officer to grant dispensations to Members as appropriate; and
- (3) authorises the Monitoring Officer to amend the following areas of the Constitution (if appropriate) where reference to the Members' Code of Conduct is also made:-
  - a. The General Principle of Good Conduct (section 5(b) of the Constitution);
  - b. Protocol on Member/Officer Relations (section 5(e) of the Constitution);
  - c. Local Planning Code of Conduct (section 5i of the Constitution) and
  - d. Gifts and Hospitality - the deletion of the word *Christmas* in section 10 of the Code of Conduct.

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#### **CODE OF CORPORATE GOVERNANCE 2021/22**

The Director Finance presented the report which set out an overview of the proposed Code of Corporate Governance for 2021/22, which followed the principles of delivering Good Governance in Local Government (CIPFA/Solace 2016). The Code was reviewed annually by him as the Section 151 Officer and supported by the Executive Support Unit. There had been no changes to the Code this year which underpins the Annual Governance Statement, which Members will approve at the next meeting of the Audit & Governance Committee.

**RECOMMENDED** that the Audit & Governance Committee support and Council approve the Code of Corporate Governance for 2021/22.

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#### **LOCAL GOVERNMENT OMBUDSMAN'S ANNUAL REVIEW OF COMPLAINTS 2019-20**

The Corporate Manager (Executive Support) presented the report, which explained the role of the Local Government Ombudsman (LGO) in investigating and resolving complaints about councils. There was a legal duty to communicate the LGO's annual review and details of complaints to Members. The report presented to the meeting included details of the complaints received by Exeter City Council and the decisions made by the LGO for the year ending 31 March 2020. Ten complaints were investigated, with two complaints upheld by the Ombudsman in relation to the Planning and Environmental Health Departments. No fault in the substantive matters relating to the complaint had been found. There were no other significant issues to report to the Audit and Governance Committee.

A Member referred to the relatively low level of complaints made, which he considered to be quite marked considering the breadth of services that the Council was involved in. Members endorsed the Council being commended for the work in this area.

The Audit and Governance Committee noted the report for the Local Government Ombudsman's Annual Review of Complaints 2019/20.

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### **REVIEW OF CORPORATE GOVERNANCE RISK REGISTER**

The Audit Manager presented the report and updated Corporate Risk Register which advised the Audit and Governance Committee of the Council's risk management process. The Audit and Governance Committee was responsible for the monitoring and reviewing of the Council's risks.

The report included the full details of the following changes to nine of the 14 risks added to the register and they were set out below in summary:-

- the Counter Terrorism and Community Cohesion and Safety; delivery of the Sport England and Local Delivery Pilot outcomes; lack of proactive and preventative investment and maintenance of assets and information governance failure were all managed as low risks and following their removal from the Corporate Risk Register would be monitored at a service level;
- the ownership of a risk relating to the delivery of additional Council objectives and priorities had been moved to the Council's Executive;
- an inability to deliver carbon neutral aspirations for Exeter by 2030 risk had increased from medium to high;
- the inability to manage and respond to the Covid-19 pandemic risk had been moved from high to low to focus on recovery; and
- two risks that remained classified as high related to maintaining the financial stability of the Council and the increased cost of the St Sidwell's Point and Bus and Coach Station.

In response to questions from Members, the Director Finance and Audit Manager confirmed the following:-

- it had always been made clear that from a financial point the aspiration of the Council to deliver a Carbon Neutral position by 2030 required the support of local, regional and national partners. The Member's suggestion of an urgent review of the Council's Carbon Neutral aspirations was a matter for the Executive or Council to consider.
- the negotiations surrounding the St Sidwells Point Project have not been completed and discussions between the contractor, Kier and the City Council were still ongoing with support from the Authority's Legal Team. A requirement for any additional funding to deliver the project, would need to be considered by the Executive and Full Council.
- a review of governance of the Sport England Project had taken place and had been implemented in June 2020. The strategic governance held by the Liveable Exeter Place Board included the Oversight Group and delivery management team. A Community Engagement Strategy was being developed, based on the experiences of Wellbeing Exeter and work being undertaken in Wonford through the Community Sounding Board. The Strategy would be approved through the Place Board governance process. Internal Audit have included work on this area in their Audit Plan for 2021/22.

- the Council's IT company, Strata have provided an assurance that there are no increased security risk from staff working remotely at home. Staff were using the Council's equipment and whilst they may use their own Wi-Fi, the connection was through a secure portal. The Audit Manager would seek further information for the Members from the IT security team.

A Member enquired whether detail received of a Health and Safety Executive prosecution should have been monitored and included in the Corporate Risk Register. The Director Finance agreed that health and safety was a key issue to address as a local authority. Notwithstanding this isolated incident, Exeter City Council had good health and safety procedures in place and such matters were reviewed by the Council's internal officer Health and Safety Committee to ensure any necessary learning was undertaken. If Members felt that this area should be considered as a higher risk, he would put the matter before the Strategic Management Board for discussion.

The Audit and Governance Committee reviewed and noted the updated Corporate Risk Register.

(The meeting commenced at 5.30 pm and closed at 6.35 pm)

Chair